UNITED STATES BANKRUPTCY COURT

DISTRICT OF VERMONT

IN RE:)		
APPLEJACK ART PARTNERS, INC.)	Case No. 10-10 Chapter 11 case	- cab
Debtor in Possession.)		

DEBTOR'S CHAPTER 11 AFFIDAVIT Pursuant to Vermont Local Bankruptcy Rule 1007

NOW COMES Applejack Art Partners, Inc., Debtor in Possession, and files its Chapter 11 affidavit in accordance with Vermont Local Bankruptcy Rule 1007-1 (c), and states as follows:

- 1. This case was filed as a Chapter 11 on July 6, 2010, seeking relief under Chapter 11 of the Bankruptcy Code.
- 2. There is no committee existing prior to the commencement of this case.
- 3. The Debtor is engaged in the business of fine art publishing and licensing. It has an inventory of posters and prints and also prints on request. It maintains a significant database of fine work from various artists and publishers with the licensing authority to transfer the image onto items as requested. The company made some expansion decisions in the past few years which turned out to be improvident in light of the circumstances surrounding the purchases and the declining state of the economy. It has recently received an offer for the purchase of a substantial part of its assets and operations which the company believes to be in the best interest of its creditors. Without the sale, the company believes it would not be able to continue.
- 4. The list of shareholders, or other equity holders, is below:

 Jack Appelman 60%

Leonard Stephens – 25% (disputed/returned) Aaron Young -- 15%.

- 5. There is no debtor property in the hands of a receiver, custodian or other party at this time.
- 6. The pending litigation in which the Debtor is involved is as follows:
 - a. *Leonard Stephens v. Applejack Art Partners, Inc.* Vermont Supreme Court (#2010-089) appeal from Bennington Superior Court (#269-7-08 Bncv). Appealed judgment \$1.538 million by former (now deceased) employee and shareholder. Stevens' Estate represented by Frank Urso, Reis, Urso, Ewald & Anderson, PLLC, PO Box 890, Rutland, VT 05702 (802)775-2361.
 - b. *Applejack Art Partners, Inc. v. Fine Art of Cruising, LLC.* Pending in Bennington Superior Court for collection of approximately \$400,000 on unpaid invoice (#449-11-09 Bncv). Fine Art of Cruising, LLC represented by Joel Ianuzzi, Cleary, Shahi & Aicher, PC, PO Box 6740, Rutland, VT 05702. (802)775-8800.
 - c. Applejack Art Partners, Inc. v. Daphne Brissonet, Lisa Audit, Pela Concept and Wild Apple Graphics. Pending in Bennington Superior Court, alleging similar artwork utilized by former artists in violation of contract. (#135-4-10 Bncv). Defendants represented by Peter Kunin, Downs, Rachlin, PO Box 190, Burlington, VT 05402 and Charles-André Sauvé of Feldman Rolland. 1170 Place due Frère-Andre, 2 Etage, Montreal, QC H3B 3C6.
 - d. Home Interiors & Gifts, Inc., Dennis Faulkner, Bankruptcy Trustee v. Applejack Art Partners, Inc. Trustee seeking \$145,000 for promissory note and contract amounts for bankrupt company. Default pending. Clay M Taylor at Kelly, Hart & Hallman, LLP, 201 Main Street 2500, Ft Worth, TX 76102 represents the Estate.
 - e. *Ross Galleries v. AJ Ross Auctions, LLC et al.* Pending in Supreme Court of State of New York, NY, Index 600381-09 for collection. Judgment of \$1.579 mil issued March, 2010. Ross Galleries represented by Noah Klarish, Hutner Klarish, 1359 Broadway, Suite 2001, New York, NY 10018.
 - f. *Kellington Arts, LLC v. Applejack Art Partners, Inc.* (# 217-6-10 Bncv). Collection for \$9,453.22. Kellington represented by Christopher Larson, Meub,

Gallivan, Carter & Larson, PC, 65 Grove Street, Rutland, VT 05701.

The underlying claims are reflected in the Debtor's schedules.

- 7. The Debtor owns the Debtor's production facility and office building at 450 Wallace Road in Manchester, Vermont. It leases a portion of the facility to McGaw Graphics, Inc, RK Miles, Brook Valley Appliances, Decorative Interiors, Senecal Seed, Depot 62, Inc, and Scott Thompson.
- 8. The Debtor's estimate of payroll amounts due and owing within the 30 days after the commencement of the case is \$20,675.00 as reflected in the attached Exhibit A (90 day budget).
- 9. The Debtor's expected monthly receipts and disbursements for the next 3 months is attached hereto as Exhibit A and incorporated herein by reference.
- 10. Proof of insurance is attached as Exhibit B.

DATED at Manchester, VT this 6 day of July, 2010.

By:

 $\langle \chi | q \rangle$

Jack Appelman, President

ART PARTNERS, INC.

NOTARY:

Applejack Art Partners, Inc. Projected Cash Flow July 2 - September 30, 2010

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>
Beginning Cash	-	5,485	4,370
Cash Receipts	315,000	320,000	330,000
Total Cash In	315,000	325,485	334,370
			<u> </u>
Cost of Goods Sold	113,000	120,000	125,000
Direct Labor	34,000	34,500	35,000
Freight Expenses	5,300	5,800	6,200
Total Cost of Goods	152,300	160,300	166,200
Selling Expenses			
Sales - Wages	24,600	24,600	24,600
Postage	800	1,000	1,000
Telephone	2,875	2,875	2,875
Artist Royalties	29,000	30,000	28,000
Total	57,275	58,475	56,475
Operating Evponess			
Operating Expenses Repair and Maintenance	800	800	800
Art Department	5,500	5,500	5,500
Supplies	3,100	3,300	3,700
Total	9,400	9,600	10,000
1000	3,400	3,000	10,000
Administrative Expenses			
Administrative Salaries	5,500	5,500	5,500
Insurances	3,000	3,000	3,000
Employee benefits including health insurance	15,600	15,600	15,600
Bank Payments			
Berkshire Interest	7,430	7,430	7,430
Berkshire Principal	20,000	20,000	20,000
Wells Fargo (Wachovia)*	7,000	7,000	7,000
VEDA	2,210	2,210	2,210
401K Fees	1,500	1,500	1,500
Leases	6,700	6,700	6,700
Taxes	6,000	8,000	8,000
Credit Card Charges	4,500	4,500	4,500
Bank Charges	1,200	1,200	1,200
Payroll Taxes	7,500	7,500	7,500
Automotive Expenses	1,400	1,400	1,400
Bankruptcy Trustee	1,000	1,200	4,875 1,500
Misc.			1,500
Total	90,540	92,740	97,915
Total Cash Out	309,515	321,115	330,590
Ending Cash	5,485	4,370	3,780

^{*} not including the SWAP interest for Wells Fargo, which runs \$8,000/month

001

Blanket Building/Special Form Blanket Business personal property

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW ______10 WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

DESTRUCTION AND INTEREST RESTRICTION OF THE PROPERTY OF THE PR

ORD 2773793()

Wachovia Bank N A

7 St Paul Street Baltimore MD 21202 X MORTGAGEE LOSS PAYEE

ADDITIONAL INSURED

LOAN#

AUTHORIZED REPRESENTATIVE

David J. Newell

NEORE CORPORATION 1993

ACORD				opio ep	DATE (MM/DD/YY)					
THIS IS EVIDENCE THAT RIGHTS AND PRIVILEGE	TINSURANCE AS IDENTIFIED BELOW H S AFFORDED UNDER THE POLICY.	MAS BEEN ISSUED, IS IN FORCE	, AND CONVEYS ALL	THE	07/02/10					
	PHONE FAX 802-442-5414 /802-44		N-441 > 1							
Wills Insurance 116 South Street Bennington VT 0520 David J. Newell		Cincinnati In PO Box 145496	Cincinnati Insurance Company PO Box 145496 Cincinnati OH 45250-5496							
CODE: 44008 AGENCY CUSTOMER ID #: APPLJ-9	SUB CODE:									
INSURED APPLJ-9		4,								
		LOAN NUMBER	POLICY NUMBER							
Applejac	k Art Partners, Inc.	EFFECTIVE DATE	CPP0836989 EXPIRATION DATE							
PO Box 1527 Manchester Center VT 05255		03/24/10 This replaces Prior Evid	03/24/11	24/11 CONTINUED UNTIL TERMINATED IF CHECKED						
PROPERIX INFORMATION	CONTRACTOR OF THE CONTRACTOR O									
LOCATION/DESCRIPTION 001 450 Wallace Road Manchester Center	See VT 05255	, attached Statement c		的现在形式的现在分词	等基础的转移 。数据图片是					
OVERAGE INFORMATION	COVERAGE/PERILS/FORMS	奥斯丽斯派法里斯罗斯斯里里斯斯斯斯斯斯斯斯		West felt at the matter Assistant divious	Mariana Mariana Mariana					
Blanket Building/Sp Blanket Business pe			AMOUNT	OF INSURANCE	DEDUCTIBLE					
	- On altion - Park the later than th	;	27	,500,000	5000					
	。 ・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・・	细种品产生。1995年1995年1995年1995年1995年1995年1995年1995	宗林大学·西西·西西·西西·西西·西西·西西·							
WRITTEN NOTICE, AND WILI INTEREST, IN ACCORDANCE DITIONALIMITERES	THE PREMIUMS, FORMS, AND RULES HE COMPANY WILL GIVE THE ADDITION L SEND NOTIFICATION OF ANY CHANG E WITH THE POLICY PROVISIONS OR A	IN EFFECT FOR EACH POLICY NAL INTEREST IDENTIFIED BELC SES TO THE POLICY THAT WOU! SEQUIRED BY LAW,	DW 10 DA LD AFFECT THAT	Y5						
	nic Development	X MORTGAGEE LOSS PAYEE LOAN #	ADDITIONAL INSURED							
58 East State Montpelier VT	Street 05602	AUTHORIZED REPRESENTATIVE	7 1/01							
JRD 27/(3/48)		David J. Newell	Tris Ell Tuto	RD CORPORA	TONHOS					

1	ĆC			STAT	EME	EN'	TOF	VAL	UES	S		OPID PE	DA.	E (MM/DD/YYYY
AGENC	i	PHON (A/C, N	Ext):802-442-5414	<u> </u>	COMPANY					T		O. 10 E.E.	(7/02/201
(A/C, No): 802-442-1131			Cincinnati Insurance Com			NAIC CODE:			PAGE					
- Nu				INSURED	APPLI	CANT	APL CLAIC:	e com	TIPANY POLICY NUMBER			EFFEC	OF TIVE DATE	
Wills Insurance 116 South Street			Appleda	na Art	Partnors,	Inc.		CPP083	6989			24/10		
Benn	Sout	h S	treet VT 05201	ľ	PO Bo	RTERS X I	ADDRESS 527			·				
Davi	dĴ.	Ne	well	-	Manch COINS %	lest	.527 er Cent	ter,		VT 0	5255			
					80%		BASIC	maca Ot	LOSS	<u> </u>		Spec	IEIC AVE	DAGE BATE
CODE: AGENCY			SUBCODE:	1	X 90%		BROAD			FLOOR	QUAKE COV	-==		RAGE RATE
APPL		MY E 14 ().	,		100%	X	SPECIAL ;	i			KLER GE EXCL	BI,AN	KET RAT	EREQUESTED
APPILICABLE FORM NUMBERS (Attach completed forms and andors							_	VANDA	VANDALISM EXCL	J				
			Lilly Billiot Development	muoreementa tha	t raquire co	mpleti	on to provide	noconsary	y Informati	on affecting r	atos or loss o	costs)		
CLASS	LOC	BLDG	heropiamion	A111-					T		-			
	ļ.,	#	DESC:	AND ADDRESS O	F PROPER	ΤΥ		ACV/ RC	SABTEC	CT 100% VALUES	VALUES	RATE O	R ST	PREMIUM
	1	1						70					3	
		1	ADDRESS: 6378 Rt 7A Sunderland		····			RC	BPP	5555	555555			
	2	1	DESC:		マエ		05252							
	_	4	ADDRESS: 450 TT- 77					ACV	В	6117	.111			
			ADDRESS: 450 Wallace Manchester C	Road enter	۷Ţ		05255							
	2	1										-	_	
			ADDRESS: 450 Wallace MANCHESTER C	Road				RC	BPP	1111	111			
			DESC: MANCHESTER C	ENTER	<u> </u>		5262							
l			ADDRESS: 1 A D.C.											
			ADDRESS: 100% Bldg = 5 x .90= \$5,500	56,111,11	1		\$	1 1						
								-	·	-	· · · · · · · · · · · · · · · · · · ·	ļ		1111
		ļ	ADDRESS: 100% Contents x .90 = \$1,50	s = \$1.66	6 666									
			$\frac{x.90 = $1,50}{\text{DESC}}$	00,000	-,000									
	İ	-	ADORESS:									_	`	
			Addition.											
			DESC:					 -		-				.,
			ADDRESS:					1 1						
			VESC;											
		L	ADDRESS:										 - 	
			JESC:											
		7	ADDRESS:											
-+			DESC:											
		_	DDRESS:					**						
		"									1			
		D	ESC:					<u> </u>						
		A	DDRESS;											
					_									
TRUCT	IONS								OTAL	\$77 777	77	N/A	\$ 0	-
CV (Actu	al Cosh	Value) d	or RC (Replacement Cost): If other valual	las bari			IGNATURE							
pplies, pr	ovide ne	Cesaary	r Information,	NUO 005/8		A	LL VALUES AI ND BELIEF	ND LOCA	TION INFO	RMATION AR	E CORRECT	TO THE BEST	OF MY	KNOWLEDGE
UBJECT:	m 6	ala d					ISURED'S							
= Building 8 = Stock F = Furniture & Fixtures M = Machinery PP - Your Business Paraonal Property PPO = Paraonal Property of Others					GNATURE:		~···							
Moorns K = Kental Income Other = specify				-	TLE:									
ATE OR LOSS COST: For class rated property, attach class rate information			-["	145;					_	_,				
tach specific rate or loss cost information if known			D/	NTE:										
RD 139	2004	1/03)												, _